

NEW IMPERIAL MINES LTD.

QUARTERLY REPORT

Quarter ended
December 31, 1970

NEW IMPERIAL MINES LTD.

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NEW IMPERIAL MINES LTD.			
MINE LOCATION PLAN			
DATE	REVISED	BY	REVISION
1970	12/31/70	AR	1
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1970	12/31/70	AR	1

NEW IMPERIAL MINES LTD.

TO THE SHAREHOLDERS

Earnings —

The unaudited financial statements for the year ended December 31, 1970 show net earnings of \$38,873.

Despite increased mill throughput, improved recovery of copper and increased copper production, the effects of lower copper prices and higher production costs have drastically reduced earnings for the year.

The figures for the fourth quarter, in comparison with the equivalent period in 1969, indicate the effects on earnings of the low copper prices. An operating loss of \$17,394 was sustained, despite the fact that higher production costs were more than offset by an increase in mill throughput. A net loss of \$871,898 resulted after making provision at year end for additional depreciation on plant and equipment amounting to \$353,816.

The average price received for copper was 43.0 cents per pound, being the lowest price received since sales commenced.

Mine and Mill Operations —

The War Eagle pit provided the major portion of the ore milled during the quarter, although some 30,000 tons of ore from the Black Cub South were milled. The grade of the War Eagle ore mined improved over that of the previous quarter, but did not come up to expectation.

Mining costs continued to be high owing to the hardness of the ground and poor fragmentation characteristics. In addition, water seeping into this pit further aggravated problems of maintenance, which have for many months plagued operations.

The operation being unprofitable at the present copper prices and grade, mining of the area already prepared at the south end of the War Eagle pit was suspended.

The mill operated well throughout the quarter, the throughput of 225,014 tons being the highest for any quarter since operations started in 1967. The copper recovery figure is below normal owing to the oxidized ore unexpectedly found while stripping the Black Cub open pit.

Underground Development —

Progress was very slow in the decline while penetrating the main fault zone which separates the Middle Chief from the Little Chief orebodies. This work was completed in late December. The first crosscut to the orebody has been started and is now within 200 feet of ore.

Exploration —

Owing to the declining price of copper rendering the lower grade open pit ore reserves uneconomic, the Directors authorized an acceleration of the 1971 exploration program during November and December of 1970. This work was carried out in the Pueblo area. Three anomalous zones were located. A diamond drilling program to test these began in mid-February, 1971.

Diamond drilling from the underground decline into the Middle Chief orebody indicated 340,000 tons at 2.48% copper, after allowing for 10% dilution and using a cut-off grade of 1.4% copper. This orebody is open at depth and to the North.

Current —

As copper prices declined, low grade ore already prepared could no longer be mined and milled economically. The War Eagle North pit mining was completed on January 25, 1971 and milling was suspended on that date. Resumption of milling is anticipated by February 22, 1971.

The Black Cub orebody had been stripped of overburden but some 167,000 tons of material, of which 26,000 tons was ore, had to be re-

moved before normal operation of the mill could be resumed. It was estimated that three weeks would be required to complete the preparation of the Black Cub pit, and that this orebody, of some 300,000 tons grading 1.30% copper (after 25% dilution), could sustain normal milling for four months.

During this period a feasibility study will be carried out to determine whether mining operations should be continued from the low grade open pits until the underground, higher grade, Little Chief orebody can be brought into production as soon as possible in 1972.

The Company is continuing its underground development program designed to exploit the Little Chief orebody. A contract for the sinking of a vertical production shaft is presently being negotiated. The shaft will be 1,250 feet in depth, and will permit efficient hoisting of underground ore from the Little Chief orebody, as well as provide access and ventilation when connected to the development now in progress through the decline.

ON BEHALF OF THE BOARD
February 15, 1971 D. M. Morgan, President

SUMMARY OF OPERATIONS

	Quarter Ended December 31		Year Ended December 31	
	1970	1969	1970	1969
Tons of ore milled (dry).....	225,014	205,993	852,461	805,519
Grade of ore, copper.....	1.11%	.86%	1.04%	1.09%
Recovery.....	86.7%	90.0%	91.0%	86.5%
Concentrate grade.....	30.61%	29.11%	30.63%	30.61%
Copper produced, lbs.....	4,304,553	3,199,225	16,084,731	15,169,466
Average copper price per lb. (cents.).....	43.0	71.3	58.3	64.3
MARKET VALUE OF PRODUCTION, including gold and silver.....	\$1,925,313	\$2,924,501	\$9,905,251	\$11,755,275
Deduct:				
Production costs, administration, transportation and marketing.....	1,942,707	1,908,925	7,769,306	5,958,491
OPERATING PROFIT (LOSS).....	(17,394)	1,015,576	2,135,945	5,796,784
Deduct:				
Depreciation, amortization, interest, exploration and royalties.....	854,504	517,592*	2,097,072	1,901,332*
NET INCOME (LOSS).....	\$(871,898)	\$497,984*	\$38,873	\$3,895,452*
Shares issued.....	8,394,502	8,392,302	8,394,502	8,392,302
Earnings (loss) per share.....	(10.4¢)	5.9¢	0.5¢	46.4¢

* Restated to reflect amortization of deferred expenditures.